
KEYNOTE INTERVIEW

Separating signal from noise in global real estate credit



Access to detailed information at both market and asset level will determine real estate credit managers' ability to identify and price risk in a fast-changing market, argues BGO's Jim Blakemore

The US and European real estate debt markets present different but compelling opportunities. Jim Blakemore, managing partner and global head of debt at BGO, managing around \$20 billion of commercial mortgage loan assets around the world, considers the relative appeal to investors of markets on either side of the Atlantic as they seek to identify strategies that will offer security of income against the backdrop of a volatile global economy and rapidly evolving property sector.

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Q Where are investors seeing relative value across European and US real estate credit markets today?

The challenge in both regions has been that acquisition activity has been quite subdued. The lack of new acquisition opportunities risks certain lending markets becoming very crowded and

competitive, not just on price, but also on terms, which increases risk.

The US is a vastly larger market and more homogenous, with very liquid capital markets and active CMBS and CLO markets. Because of the size of the US market, investing is more of a filtering exercise because there are so many markets big enough for institutional capital to participate in. The market is deep, highly intermediated and extremely active, so the key question becomes where

risk-adjusted value genuinely exists.

That is where local market context becomes important. Because we invest across both debt and equity and have teams across major US markets, we often have strong visibility into sub-market dynamics, sponsors and asset quality. There are always deals you can do, but you must find the right ones where you can bring something to the table and which will work for your LPs.

By contrast, Europe is a finding exercise. In some European markets, such as London, investors have access to great-quality data, but in Germany, for example, data is far less comprehensive. Europe is still relatively opaque and fragmented, so success depends heavily on local relationships, market knowledge and finding counterparties that will transact repeatedly in order to build scale.

We have begun to find transactions in markets where alternative lenders were not relevant before. Recently we have done deals in Switzerland, France, Italy and Spain, as well as in Germany where debt funds have not been competitive historically. To do that you need people on the ground sourcing deals in those countries.

Closing transactions can take a long time, especially in a market environment where acquisition volume is so muted, but nevertheless we had our busiest year of deployment in 2025. The previous busiest year was 2021 when interest rates were still low and overall transaction volume in Europe 40 to 45 percent higher, but we were able to match that level because we have become more relevant everywhere in Europe, as opposed to just the UK, Ireland and the Netherlands. Lending across a broader geographical area is a huge opportunity, but we and our equity colleagues have to be present locally to gather the information we need to find deals that work.

As an investor you also need to be aware that the US market is more exuberant than the European one. America

Q What role does data play in identifying and pricing risk?

Navigating all the data that is available across multiple markets is challenging. Increasingly, what is called data and research is slop and the amount of it is growing faster than ever before.

To identify and price lending risk appropriately in the US or Europe, you need people embedded in local markets with deep knowledge of property fundamentals and operating conditions. Having a large equity platform can be especially valuable in that respect because it provides additional insight into asset-level performance, market dynamics and sponsor behavior.

We have built a rent prediction model that ranks every US market across various asset classes, from the metropolitan statistical area, down to the city, the neighborhood, the building – drilling down to the micro-location of a given asset. And we analyze a whole slew of data indicating current and future economic activity. In a market as large and active as the US, data is particularly useful as a filtering tool, but it is most effective when paired with local market knowledge and investment judgment.

To date, our US business is ahead of where we are in Europe, partly because of data protection laws. However, we are finding a way to do that in Europe too, which will be a key differentiator for us.

As a lender, data analysis helps you to identify areas of potential volatility and separate the wheat from the chaff in an asset class that is much more dynamic than it was historically. We don't use it as a reason to say yes, but it is another reason to say no.

As an equity investor you need to be an optimist. But a lender has a different risk profile and we need to protect against the downside. Data science gives us another lens to look at that negative risk.



loves an opportunity that is shiny and new and will embrace it, whereas in Europe the tendency is to regulate it. The best path usually lies somewhere in the middle. The challenge is how to participate in sectors that have momentum, such as data centers, cold storage

or life science, while filtering out over-exuberance. A manager's ability to meet that challenge depends on the quality of their information.

Q What impact is the interest rate environment having

on dealflow and refinancing activity?

Interest rate expectations have changed. Not long ago, reductions were expected, but with the current Middle East crisis, the specter of inflation is back. Short and long-term interest rate increases could follow.

Historically we have lent mainly on acquisitions, but recently we have been doing more refinancings in situations where the borrower is putting in equity to rebalance the loan in the light of the changed rates environment.

Some of those sponsors have been hanging on and renewing loans for a long time, but lenders are starting to tire of kicking the can down the road. We will see more refinancing opportunities this year and in 2027, particularly in the US.

Q How are institutional investors thinking about allocations to this space?

The question that often comes up when talking to LPs is whether real estate debt should be viewed as a real estate asset or a fixed income asset. Where we have seen LPs do well is when they treat it as a hybrid, which allows them to take a more realistic view of returns.

If you compare real estate credit to a fixed income asset, you are getting a staggering illiquidity pickup. The illiquidity premium in our European lending fund versus the equivalent BBB bond is 450 basis points, with attractive pickups in the US as well.

Equity markets are currently very high, while corporate bond spreads are very low and artificial assets like cryptocurrency are backed by air. Meanwhile in real estate, rental growth is pretty good and very little stock has been created since 2021, so I am bullish that this is now an attractive entry point for real estate investment, across both equity and debt.

Since the outbreak of war in the Middle East, some investors have migrated back to debt because they

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like the income, but this is still a good time to invest in real estate equity. We are also seeing some non-US overseas investors looking at European real estate as a diversification play into the European economy and currency. Even a small migration of capital allocations away from the US makes a big difference to any other market.

Investors who look at real estate debt through a real estate lens generally want to invest in vehicles that use back leverage and generate higher returns, while those that view it as a fixed-income asset prefer an unlevered strategy, so we offer both. A lot of investors want a real estate credit manager to be boring; they value tranquility, performance and income.

Q What are the key opportunities and risks for real estate lenders over the next few years?

Investors are going to rotate more into property because it's a cheap asset class. Real estate has experienced a lot of pain in recent years. We have seen massive value destruction in the retail and office sectors, then interest rates went up and there was a more broad-based correction. But that means people investing in real estate today are doing so in a much healthier environment than other asset classes in which the air hasn't yet been let out of the bubble.

There is some very good corporate lending going on and it may be that the fears over stress in private credit markets are overblown.

But real estate has been kicked repeatedly and now the fundamentals look good. That should create the potential for rental growth and capital appreciation. As a lender we can't ignore risks.

Those lenders which have good internal data and a history of being prudent across cycles and which are constantly striving for new lenses to understand the risk and the opportunity, will do well. But it won't be easy. ■